

Jack Adamo's Insiders Plus

Your source for Insider insights and exceptional analysis

SPECIAL BULLETIN

January 21, 2014

Dear Friend & Client,

Thanks for joining me.

There is an error in my January 18 letter regarding the preferred stock buy recommendation. There are actually two MTB preferred stocks with an "A" designation, however, the names are different. The security I described is actually **M&T Capital Trust IV 8.500% Enhanced Trust Preferred Securities**. Its symbol on Yahoo is MTB-PA. On MSN it is MTB-A, which is the one we will use. How your broker has it listed is anyone's guess. However, you aren't likely to confuse them. The other "A" goes for \$975, since its redemption value is \$1000. The one we want is trading for under \$26.

The "A" on the \$1000 par security has apparently been dropped from use, thank goodness, but it is in the original prospectus and the supplemental prospectus.

Below is the corrected buy recommendation.

BUY M&T TRUST PREFERRED

As with a sister recommendation a few weeks ago, we won't go into much detail about the issuer of M&T Capital Trust IV 8.500% Enhanced Trust Preferred Securities (MTB-A). We already know that M&T is considered by many to be the strongest large bank in America. It has little derivative exposure; didn't lower its dividend during the financial meltdown of 2008, and Warren Buffett is a long-time owner of the stock.

Despite all that, this investment requires some thought, and may not be for everyone, especially younger investors and investors in the highest tax brackets. This preferred is actually a "trust" preferred, which is not really a stock, but a hybrid instrument that is treated like debt for tax purposes. Hence, although the current yield is about 8%, you won't get the "qualified" dividend lower tax rate. Still, it may beat other investments in after-tax net, and of course you can put it in a tax deferred account, like an IRA.

The other reservation to understand is that this issue has no chance of being redeemed before 2068. It is in effect a 54 year bond. When you figure out its compound annualized yield to maturity, it is only about 3.2%. So, it's definitely not for newlyweds saving for kids' college tuition. The real reason I want it in the portfolio is as deflation protection. We already have some of that, but I'd like a little more.

If the U.S. experiences an extended period of Japan-like no growth, these payments will be big. In fact, the shares could appreciate quite a bit. Moreover, we'll be getting the payments upfront when they are the most valuable. Over the long haul, inflation will eat at the value of these payments, but we'll have enough excess income in the meantime to reinvest them into whatever has good long-term prospects. M&T Bank Corp. Preferred Series A is a buy up to \$26.50. Take a 2% position in the High Income Portfolio. Buy the stock only with a limit order, never a market order. The shares are thinly traded. Remember these will have the best net return in an IRA, 401-K, etc.

You can view all of our holdings with their current advice by going to:
http://www.jackadamo.com/main.asp?fn=portfolio_view.asp

The password is: **MarkTwain**

New subscribers please note: You can look up all the original write-ups on any stock in our portfolios by clicking on the symbol on the portfolio page. The original write-up is usually the first mention in any newsletter (although sometimes a stock has been re-recommended later); so, you'd want to pull up the letters oldest first. To see recent comments, click on the link that reverses that and brings up newest write-ups first.

Please see the important legal notice at the end of this letter.

That's it for this Special Bulletin. I'll talk with you over the weekend.

Jack

Questions? Write to Jack at: jack@jackadamo.com

Important Legal Notice

This publication contains Jack Adamo's opinions. No recommendation or statement made in this publication, regardless of how strongly or positively rendered, should be construed as anything except Jack Adamo's personal opinion.

Jack Adamo makes economically feasible efforts to verify facts and calculations set forth in this publication, but errors can and will occur from time to time. The publisher cannot guarantee that any misstatement of fact, or any miscalculation will be discovered or corrected prior to or after publication.

Jack Adamo passed the New York State CPA exam, but is not a practicing CPA. Please get tax advice from a qualified personal tax advisor. Jack Adamo is not a Registered Investment Advisor, nor is he required to be. He cannot judge the suitability of any investment for an individual reader without knowing their circumstances, financial goals, risk tolerance, etc. All investments mentioned in this publication entail some degree of risk. All information is provided on a "use at your own risk" basis. Past results are not necessarily indicative of future performance.